Recording Purchases and Cash Payments Using Special Journals

18.1 - Purchases Journal

Words to Know

- Corporation
- Shares of Stock
- Capital Stock
- Special Journal
- Purchases Journal

Winning Edge Inc.

In your teams, read through Winning Edge Inc. and answer the following questions:

What does Winning Edge Inc. do?

How is Winning Edge organized as a business? What are the characteristics of that type of organization?

How is Winning Edge different than a proprietorship or partnership? How are they alike?

Purchases Journal

Used to record only merchandise purchases on an account.

Because this journal only records one type of transaction, it is a type of Special Journal.

By recording similar transactions together, accountants are able to record transactions with more efficiency and accuracy.

Purchases Journal cont…

A recording in the Purchase Journal is both a Debit to the Purchases and a Credit to Accounts Payable.

The title of both general ledger accounts are listed in the special amount column heading.

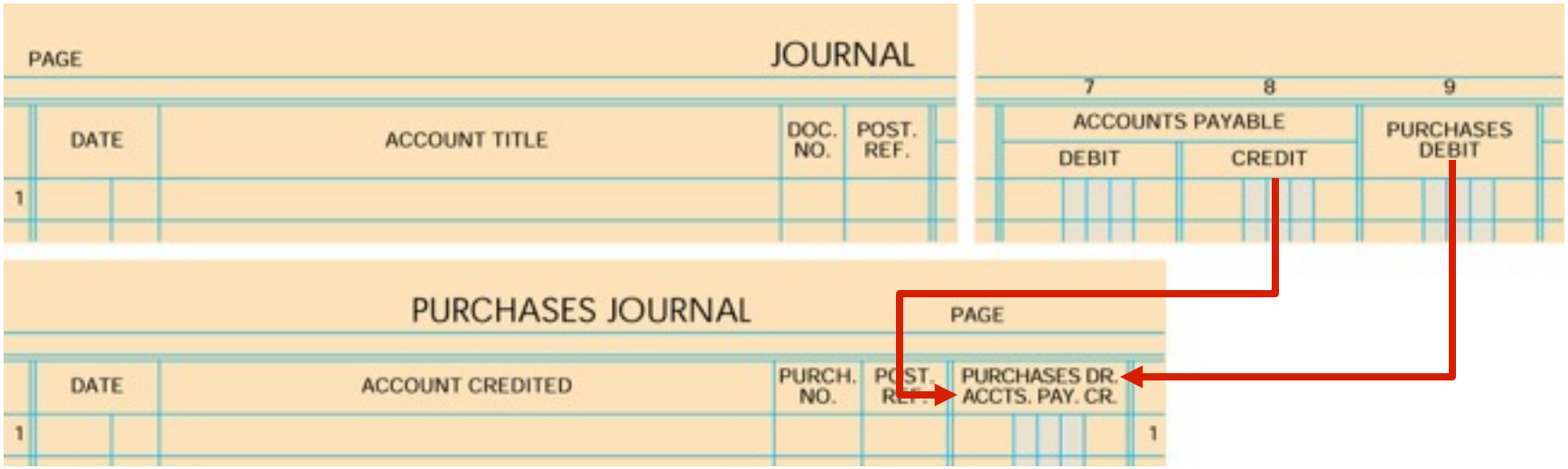
Because Purchases on accounts are the only items included in this journal Winning Edge uses Purchase Number instead of Document Number to identify an audit trail.

The Account Title column changes to Account Credited.

General Ledger – Accounts Payable is Credited

Subsidiary Accounts Payable Ledger is also credited

PURCHASES JOURNAL



JOURNALIZING PURCHASES ON ACCOUNT

March 2. Purchased merchandise on account from Pro Golf Company, $7,254.00. Purchase Invoice No. 179.

Accounts Affected	Classification	Change	Entered
Purchases	Cost	Increased	Debit side
Accounts Payable	Liability	Increased	Credit side

GENERAL LEDGER

Purchases

normal balance ↑ 7,254.00	

Accounts Payable

	normal balance ↑ 7,254.00

ACCOUNTS PAYABLE LEDGER

Pro Golf Company

	normal balance ↑ 7,254.00

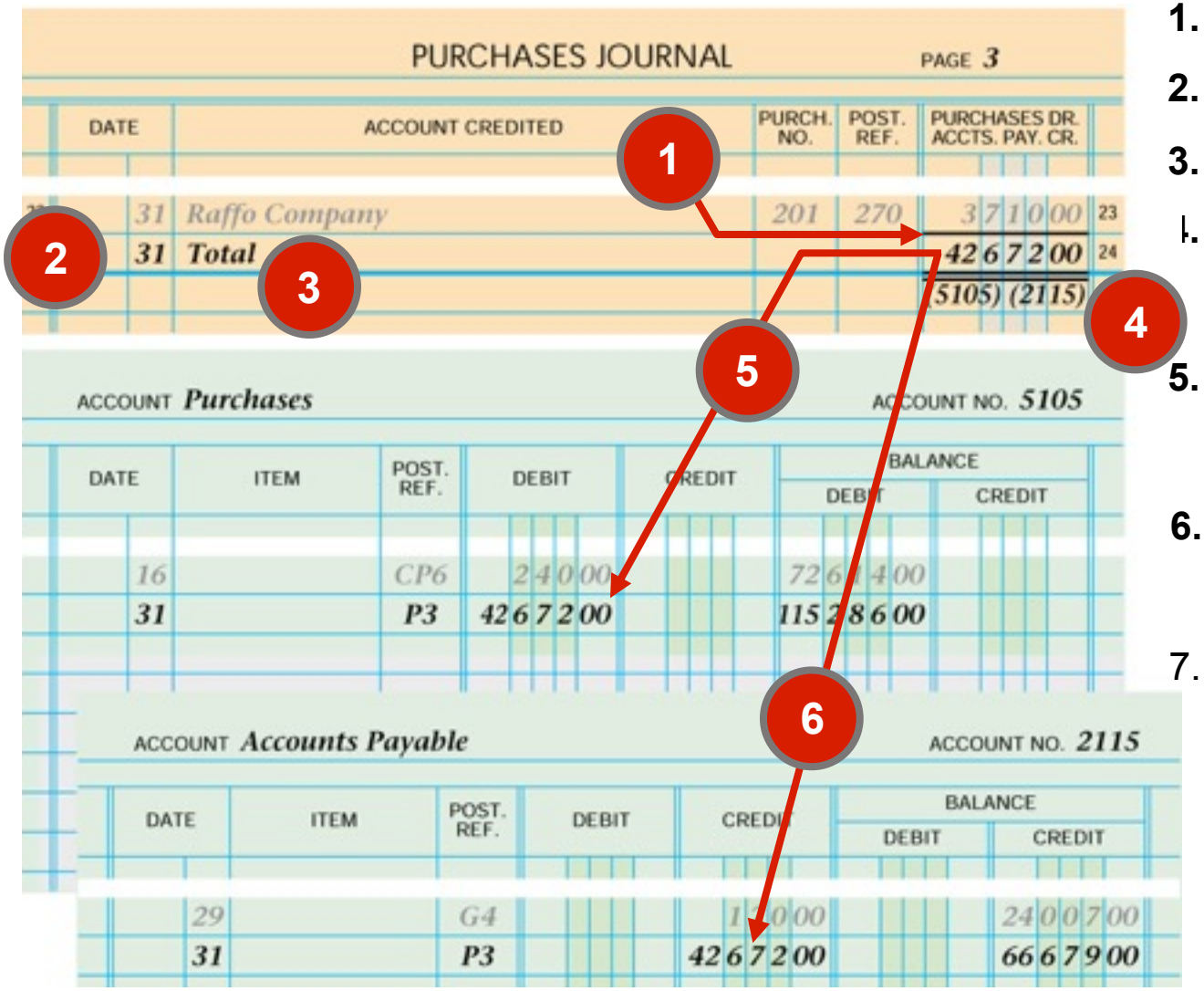
JOURNALIZING PURCHASES ON ACCOUNT

PURCHASES JOURNAL PAGE 3

	DATE		ACCOUNT CREDITED	PURCH. NO.	POST. REF.	PURCHASES DR. ACCTS. PAY. CR.	
1	20-- Mar.	2	Pro Golf Company	179		7 2 5 4 00	1
2							2

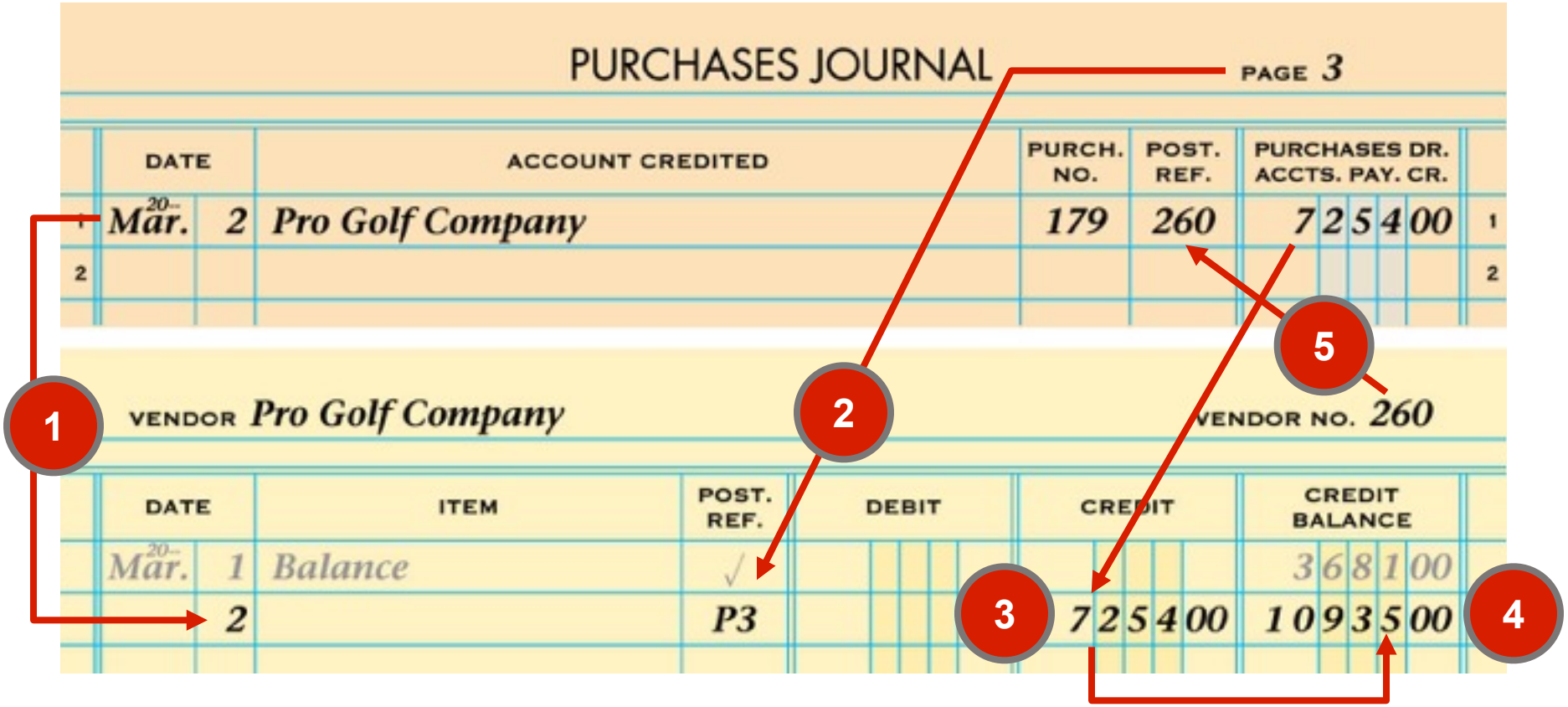
1. Date
2. Vendor Name
3. Purchase Invoice Number
4. Purchase Invoice Amount

POSTING FROM A PURCHASES JOURNAL TO A GENERAL LEDGER



1. Rule a single line.
2. Write the date.
3. Write word *Total*.
4. Add the amount column, write total, rule double lines.
5. Post the amount total to the Debit column of Purchases.
6. Post the amount total to the Credit column of Accounts Payable.
7. Write the Account # in the purchases Journal.

POSTING - PURCHASES JOURNAL TO AN ACCOUNTS PAYABLE LEDGER



1. Date
2. Journal Page Number
3. Credit
4. Balance
5. Vendor Number